



**RESHAM TEXTILE INDUSTRIES
LIMITED**

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**CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED
30 SEPTEMBER 2014**

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**CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED
30 SEPTEMBER 2014**

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COMPANY INFORMATION

CHIEF EXECUTIVE OFFICER:

Ch. Muhammad Khurshid

DIRECTORS:

Ch. Rahman Bakhsh
Mrs. Salma Aziz
Mr. Muhammad Arshad Saeed
Ms. Kiran A. Chaudhry
Mr. Kamran Ilyas
Mr. Muhammad Ali Chaudhry

CHIEF FINANCIAL OFFICER:

Mr. Muhammad Ali Chaudhry

COMPANY SECRETARY:

Ms. Komal Daniel

AUDITORS:

M/s Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Lahore.

AUDIT COMMITTEE:

Mr. Kamran Ilyas	Chairman
Mrs. Salma Aziz	Member
Ms. Kiran A. Chaudhry	Member

HR - COMMITTEE:

Mr. Kamran Ilyas	Chairman
Mr. Muhammad Ali Chaudhry	Secretary
Ms. Kiran A. Chaudhry	Member

SHARE REGISTRAR:

M/s Corplink (Pvt.) Ltd.

LEGAL ADVISORS:

Mr. Shaukat Haroon (Advocate)
Barrister Salman Rahim (Advocate High Court)

REGISTERED OFFICE:

314-Upper Mall, Lahore.

MILLS:

1.5 Kilometer Habibabad,
Chunian Road, Tehsil Chunian,
District Kasur.

DIRECTORS' REPORT

The Directors are pleased to present the un-audited accounts of the Company for the period ended September 30, 2014.

PERFORMANCE REVIEW

The overall performance of the Company during the first quarter was satisfactory. Despite a decline in sales by Rs. 129.32 Million to Rs. 876.765 Million from 1,006.087 Million (s.p.l.y.), the Company made gross profit in the amount of Rs. 82.395 Million from Rs. 149.350 Million (s.p.l.y.). The major reason for lower gross profit was a sharp decline in yarn prices. There was a slight decline in cost of sales by Rs 62.367 Million to Rs. 794.371 Million from Rs. 856.737 Million (s.p.l.y.), however, the stagnant demand for yarn remained a major element of this quarter, otherwise the Company would have performed better, as anticipated.

Operating and other expenses increased mainly on account of annual increments and inflation. As the Company has paid off all its long-term loans the financial charges lowered to Rs. 2.292 Million from Rs. 8.820 Million (s.p.l.y.).

The management is satisfied that in spite of the dwindling yarn market the Company has made profit before taxation of Rs. 61.691 Million as compared to Rs. 120.372 Million (s.p.l.y.).

The financial results are given below and details may be seen in other parts of the report:-

	<u>Three month period ended</u>	
	<u>30 September</u> <u>2014</u>	<u>30 September</u> <u>2013</u>
	<u>Rupees in '000'</u>	
Sales	876,765,569	1,006,087,181
Cost of sales	794,370,537	856,737,162
Gross profit	<u>82,395,032</u>	<u>149,350,019</u>
Administrative expenses	9,668,350	7,165,403
Distribution cost	<u>4,356,302</u>	<u>4,279,629</u>
	<u>14,024,652</u>	<u>11,445,032</u>
Operating Profit	68,370,380	137,904,987
Other operating expenses	4,915,307	9,150,479
	<u>63,455,073</u>	<u>128,754,508</u>
Other income	528,100	436,877
	<u>63,983,173</u>	<u>129,191,385</u>
Finance cost	2,291,790	8,819,523
Profit before taxation	<u>61,691,383</u>	<u>120,371,862</u>
Taxation	21,952,924	40,861,225
Profit for the period	<u>39,738,459</u>	<u>79,510,637</u>
Earnings per share - <i>Basic & diluted (Rupees)</i>	<u>1.10</u>	<u>2.21</u>

FUTURE PROSPECTS

The management is cautious about the uncertain factors in the industry, including energy shortages and general upheaval of law and enforcement within the country. The international markets are trying to absorb the effects of recession, and this has caused prices of textile products to decline significantly. Chinese imports from Pakistan are declining while supply of more affordable yarn from India has greatly reduced local yarn uptake by the weaving and finishing sectors.

ACKNOWLEDGEMENTS

The Directors take this opportunity to thank the Company's bankers, particularly National Bank of Pakistan, Bank Alfalah Limited, Faysal Bank Limited, Al Baraka Bank (Pakistan) Ltd., NIB Bank Limited and other financial Institutions for their confidence in the Company and strong financial support. The Directors feel pleasure in expressing appreciation for the continued interest and support of all the shareholders of the Company. The Directors would also like to particularly mention the dedication and devotion displayed by the employees while performing their duties during the period and hope that the same spirit will prevail in the future as well.

For and on behalf of the Board

Lahore: 28 October 2014

Ch. Muhammad Khurshid
(Chief Executive Officer)

CONDENSED INTERIM BALANCE SHEET

	Note	Un-Audited 30 September 2014 Rupees	Audited 30 June 2014 Rupees
EQUITY AND LIABILITIES			
Equity			
Authorised capital			
36,000,000 (June 2014: 36,000,000)			
ordinary shares of Rs. 10/- each		<u>360,000,000</u>	<u>360,000,000</u>
Issued, subscribed and paid up capital		360,000,000	360,000,000
Unappropriated profit		496,848,662	451,463,511
Total equity		856,848,662	811,463,511
Surplus on revaluation of fixed assets		251,118,051	257,359,415
Non-current liabilities			
Long term deposits		134,773	235,441
Deffered liabilities	5	317,020,920	316,511,317
		317,155,693	316,746,758
Current liabilities			
Trade and other payables	6	142,371,863	188,163,555
Mark-up accrued on financing		2,060,669	13,593,121
Short term borrowings	7	86,256,169	144,755,608
Provision for taxation		54,773,036	85,547,905
		285,461,737	432,060,189
Total liabilities		<u>602,617,430</u>	<u>748,806,947</u>
Total Equity and Liabilities		<u>1,710,584,142</u>	<u>1,817,629,873</u>
CONTINGENCIES AND COMMITMENTS			
	8		

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

(Chief Executive Officer)

AS AT 30 SEPTEMBER 2014

		Un-Audited 30 September 2014 Rupees	Audited 30 June 2014 Rupees
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,271,871,060	1,293,242,416
Long term deposits		3,697,560	3,697,560
		<u>1,275,568,620</u>	<u>1,296,939,976</u>
Current assets			
Stores & spare parts		33,848,920	37,642,726
Stock in trade	10	248,058,874	268,454,450
Trade debts		87,313,715	101,807,905
Advances		22,711,510	6,252,172
Trade deposits and short term prepayments		7,164,987	3,370,004
Advance income tax - net		8,445,929	59,101,334
Tax refunds due from the Government		391,205	1,655,620
Cash and bank balances		27,080,382	42,405,686
		<u>435,015,522</u>	<u>520,689,897</u>
Total Assets		<u><u>1,710,584,142</u></u>	<u><u>1,817,629,873</u></u>

(Director)

**CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2014**

	Note	Three month period ended	
		30 September 2014 Rupees	30 September 2013 Rupees Restated
Sales	11	876,765,569	1,006,087,181
Cost of sales	12	794,370,537	856,737,162
Gross profit		82,395,032	149,350,019
Administrative expenses		9,668,350	7,165,403
Distribution cost		4,356,302	4,279,629
		14,024,652	11,445,032
Operating profit		68,370,380	137,904,987
Other operating expenses	13	4,915,307	9,150,479
		63,455,073	128,754,508
Other income		528,100	436,877
		63,983,173	129,191,385
Finance cost		2,291,790	8,819,523
Profit before taxation		61,691,383	120,371,862
Taxation	14	21,952,924	40,861,225
Profit for the period		39,738,459	79,510,637
Earnings per share -			
Basic & diluted (Rupees)		1.10	2.21

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

(Chief Executive Officer)

(Director)

**CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2014**

	Three month period ended	
	30 September 2014 Rupees	30 September 2013 Rupees Restated
Profit for the period	39,738,459	79,510,637
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods	-	-
Items not to be reclassified to profit or loss in subsequent periods	-	-
Transferred from surplus on revaluation of fixed assets on account of Incremental depreciation -net of deferred tax	5,646,692	2,534,854
Actuarial loss on defined benefit plans-net of deferred tax	-	(390,027)
Total other comprehensive income for the period	5,646,692	2,144,827
Total comprehensive income for the period	45,385,151	81,655,464

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

(Chief Executive Officer)

(Director)

**CONDENSED INTERIM
CASH FLOW STATEMENT (UN-AUDITED)**
FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Three month period ended	
	30 September 2014 Rupees	30 September 2013 Rupees Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	61,691,383	120,371,862
Adjustment for non-cash charges and other items:		
Depreciation	20,269,274	17,177,208
(Gain)/Loss on disposal of property, plant and equipment	-	(115,582)
Provision for gratuity	4,465,792	3,554,367
Finance cost	2,291,790	8,819,523
Workers' Welfare fund	1,584,972	2,645,255
Workers' profit participation fund	3,330,335	6,505,224
	<u>31,942,163</u>	<u>38,585,995</u>
Profit before working capital changes	93,633,546	158,957,857
Effect on cash flows due to working capital changes		
(Increase)/ decrease in current assets:		
Stores and spare parts	3,793,806	(958,616)
Stock in trade	20,395,576	(73,970,137)
Trade debts	14,494,190	(48,439,422)
Advances	(15,375,360)	(8,164,109)
Trade deposits and short term prepayments	(3,794,983)	(2,664,435)
Tax refunds due from the Government	1,264,415	4,163,333
Increase/(decrease) in current liabilities:		
Trade and other payables	(50,706,999)	24,752,287
Net cash used in working capital changes	<u>(29,929,356)</u>	<u>(105,281,099)</u>
Cash generated from operations	63,704,190	53,676,758
Finance cost paid	(13,824,242)	(18,018,338)
Income tax paid	(4,460,939)	(8,236,932)
Gratuity paid	(2,162,312)	(2,464,443)
Net cash from operating activities	<u>43,256,696</u>	<u>24,957,045</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred on property, plant and equipment	(113,000)	(1,871,115)
Proceeds from disposal of property, plant and equipment	131,108	898,551
Increase in long term deposits	-	(5,000)
Net cash from/(used in) investing activities	18,108	(977,564)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) / Increase in long term advances	(100,668)	28,086
Decrease in short term borrowings-net	(58,499,439)	(55,480,375)
Net cash used in financing activities	<u>(58,600,107)</u>	<u>(55,452,289)</u>
Net decrease in cash and cash equivalents	(15,325,304)	(31,472,808)
Cash and cash equivalents at the beginning of the period	42,405,686	59,197,161
Cash and cash equivalents at the end of the period	<u>27,080,382</u>	<u>27,724,353</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

(Chief Executive Officer)

10

(Director)

**CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY
(UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2014**

	Share capital	Unappropriated profit	Total equity
-----Rupees-----			
Balance as at 01 July 2013	360,000,000	378,798,050	738,798,050
Effect of change in accounting policy	-	(2,461,739)	(2,461,739)
Balance as on 01 July 2013 - restated	360,000,000	376,336,311	736,336,311
Net profit for the period ended 30 September 2013	-	79,510,637	79,510,637
Total other comprehensive income - net of deferred tax	-	2,144,827	2,144,827
Total comprehensive income for the period - restated	-	81,655,464	81,655,464
Balance as at 30 September 2013 - restated	<u>360,000,000</u>	<u>457,991,775</u>	<u>817,991,775</u>
Balance as at 01 July 2014	360,000,000	451,463,511	811,463,511
Net profit for the period ended 30 September 2014	-	39,738,459	39,738,459
Total other comprehensive income - net of deferred tax	-	5,646,692	5,646,692
Total comprehensive income for the period	-	45,385,151	45,385,151
Balance as at 30 September 2014	<u>360,000,000</u>	<u>496,848,662</u>	<u>856,848,662</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

(Chief Executive Officer)

(Director)

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2014**

1. THE COMPANY AND ITS OPERATIONS

The Company is a Public Limited Company incorporated in Pakistan on 06 June 1990 under the Companies Ordinance, 1984 and is quoted on Lahore and Karachi Stock Exchanges. Registered office of the Company is situated at 314- Upper Mall, Lahore. The Company is principally engaged in the business of manufacturing and selling of yarn.

2. STATEMENT OF COMPLIANCE

2.1 This condensed interim financial information of the Company for the three months period ended 30 September 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This condensed interim financial information is un-audited and is being submitted to shareholders, as required by section 245 of the Companies Ordinance, 1984.

3. BASIS OF PREPARATION

3.1 This condensed interim financial information does not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 30 June 2014.

3.2 The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended 30 June 2014.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation are the same as those that applied to the financial statements for the year ended 30 June 2014.

	Un-Audited 30 September 2014 Rupees	Audited 30 June 2014 Rupees
5. DEFERRED LIABILITIES		
Post employment benefits-unfunded	31,187,044	28,883,564
Deferred taxation (5.1)	285,833,876	287,627,753
	<u>317,020,920</u>	<u>316,511,317</u>
5.1 Deferred taxation		
Taxable timing differences		
Surplus on revaluation of fixed assets	109,529,879	111,669,765
Accelerated tax depreciation	186,535,000	186,594,356
	<u>296,064,879</u>	<u>298,264,121</u>
Deductible temporary differences		
Unapproved gratuity	(10,231,003)	(10,636,368)
	<u>285,833,876</u>	<u>287,627,753</u>
6. TRADE AND OTHER PAYABLES		
Creditors	29,529,414	76,113,313
Morabaha finance	10,000,000	10,000,000
Accrued liabilities	66,502,958	60,084,503
Advances from customers	13,754,118	14,929,873
Advances from broker against customers	4,730,860	9,793,360
Unclaimed Workers' Profit Participation Fund	4,748,592	4,729,567
Workers' Profit Participation Fund	11,282,152	7,951,817
Workers' Welfare Fund	1,584,972	3,984,988
Unclaimed dividend	138,797	476,134
Others	100,000	100,000
	<u>142,371,863</u>	<u>188,163,555</u>
7. SHORT TERM BORROWINGS		
From financial institutions:		
- Secured		
Cash and Running finance (7.1)	77,256,169	144,636,459
- Unsecured		
Loan from directors (7.2)	9,000,000	-
Bank overdrawn (7.3)	-	119,149
	<u>86,256,169</u>	<u>144,755,608</u>

7.1 The aggregate facility of short term finances from commercial banks available at year end is Rs. 1,375,000,000 (June 2014 : Rs. 1,375,000,000). The rates of mark-up range from 3 months KIBOR plus 1.5% to 3 months KIBOR plus 2.75% (June 2014: 3 months KIBOR plus 1.5% to 3 months KIBOR plus 2.75%) per annum. These facilities are secured against pledge of cotton bales with 10% margin for cotton, 25% margin for yarn bags, first pari passu charge on all current assets of the Company and personal guarantee of the directors of the Company.

7.2 This represents unsecured loan obtained from directors at the rate of KIBOR plus 0% per annum. The loan is repayable on demand.

7.3 These represent the bank overdrawn due to unrepresented cheques issued near the balance sheet date. However, the bank statement shows a favorable balance of Rs. Nil (June 2014: Rs. 72,939).

8. CONTINGENCIES AND COMMITMENTS

8.1 There is no significant change in the contingencies since the date of preceding published annual financial statements.

8.2 Bank guarantees aggregating to Rs. 43,331,000 (June 2014: Rs. 43,331,000) issued on behalf of the Company were outstanding on balance sheet date against which margins amounting to Rs. 1,511,565 (June 2014: Rs. 1,511,565) have been deposited with the respective banks.

	Un-Audited 30 September 2014	Audited 30 June 2014
Note	Rupees	Rupees Restated

9. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets			
- tangible	(9.1)	1,269,285,964	1,289,573,342
Capital Work-in-progress		2,585,096	3,669,074
		<u>1,271,871,060</u>	<u>1,293,242,416</u>

9.1 Operating fixed assets - tangible

Opening book value		1,289,573,342	1,019,514,295
Add: Additions during the period / year - cost	(9.1.1)	113,000	150,679,557
Adjustments / Transfers			211,186,148
		<u>1,289,686,342</u>	<u>1,381,380,000</u>
Less:			
Book value of assets disposed during the period / year		131,108	9,074,904
Depreciation charged during the period / year		20,269,270	82,731,754
		<u>20,400,378</u>	<u>91,806,658</u>
Net book value		<u>1,269,285,964</u>	<u>1,289,573,342</u>

	Un-Audited 30 September Note 2014 Rupees	Audited 30 June 2014 Rupees
9.1.1 Additions during the period / year - cost		
Land	-	95,597,441
Building	-	3,924,984
Plant and machinery	-	47,638,382
Mill equipment	-	114,000
Office equipment	113,000	229,040
Furniture & fixture	-	8,000
Vehicles	-	3,167,710
	<u>113,000</u>	<u>150,679,557</u>
10. STOCK IN TRADE		
Raw material	194,922,713	181,312,119
Work in process	21,188,529	17,168,014
Finished goods	23,783,308	63,567,877
Packing material	5,551,638	4,863,640
Waste	2,612,686	1,542,800
	<u>248,058,874</u>	<u>268,454,450</u>
	Three month period ended	
	30 September 2014	30 September 2013
	Rupees	Rupees
11. SALES		
Yarn	863,350,715	993,523,306
Waste	13,414,854	12,563,875
	<u>876,765,569</u>	<u>1,006,087,181</u>
12. COST OF SALES		
Raw material consumed	594,441,844	742,187,150
Salaries, wages and benefits	47,953,928	44,078,100
Stores and spare parts consumed	10,631,038	5,495,269
Packing material consumed	10,370,646	10,195,946
Fuel and power	73,153,523	77,674,713
Ijarah rentals	-	2,298,221
Insurance	1,863,135	1,407,036
Repair and maintenance	844,086	1,274,698
Other expenses	515,849	317,344
Depreciation	19,902,320	16,664,111
	<u>759,676,369</u>	<u>901,592,588</u>

	<u>Three month period ended</u>	
	<u>30 September</u> 2014 Rupees	<u>30 September</u> 2013 Rupees
Effect of work in process inventory		
Opening	17,168,014	20,014,761
Closing	(21,188,529)	(20,357,521)
	<u>(4,020,515)</u>	<u>(342,760)</u>
Cost of goods manufactured	755,655,853	901,249,828
Effect of finished goods inventory		
Opening	65,110,677	54,811,777
Closing	(26,395,994)	(99,324,444)
	<u>38,714,683</u>	<u>(44,512,667)</u>
	<u>794,370,537</u>	<u>856,737,162</u>

13. OTHER OPERATING EXPENSES

This amount includes workers' profit participation fund amounting to Rupees 3,330,335 (30 September 2013: Rupees 6,505,224) and workers' welfare fund amounting to Rupees 1,584,972 (30 September 2013: Rupees 2,645,255).

	<u>Three month period ended</u>	
	<u>30 September</u> 2014 Rupees	<u>30 September</u> 2013 Rupees Restated
14. Taxation		
Current	24,341,475	42,968,196
Deferred	(2,388,551)	(2,106,971)
	<u>21,952,924</u>	<u>40,861,225</u>

15. RELATED PARTY TRANSACTIONS

The related parties comprise of chief executive, directors of the Company and key management personnel. Detail of transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	<u>Three month period ended</u>	
		<u>30 September</u> 2014 Rupees	<u>30 September</u> 2013 Rupees
Chief Executive Officer & Directors	Remuneration	1,612,812	941,193
	Loan obtained	9,000,000	23,317,000
	Loan repaid	-	8,867,000
	Interest on loan	203,121	376,991

Transactions entered into with the key managements personnel as per their terms of employment are excluded from related party transactions.

16. DATE OF AUTHORIZATION

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on 28 October 2014.

17. CORRESPONDING FIGURES

Corresponding figures have been rearranged and / or restated, wherever necessary, for the purpose of comparison. However, no significant rearrangement / restatement has been made in this condensed interim financial information.

18. GENERAL

18.1 Provisions in respect of Worker's Welfare Fund, Worker's Profit Participation Fund, Employee benefits plan and taxation are estimated and these are subject to final adjustment in the annual financial statements.

18.2 Figures have been rounded off to the nearest rupee unless otherwise stated.

(Chief Executive Officer)

(Director)

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